

Internal Revenue Service
Tax Exempt and Government Entities Division
Exempt Organizations: Examinations
2 Metro Tech Center
100 Myrtle Avenue, 6th Floor
Brooklyn, NY 11201

Department of the Treasury

Hand Delivered

Date: March 4, 2013

501-3.00

**Taxpayer Identification Number:
Form:**

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Manager's name/ID number:

Manager's contact number:

Response due date:

Release Number: **201349024**

Release Date: 12/6/2013

ORG

ADDRESS

Certified Mail – Return Receipt Requested

Dear :

Why you are receiving this letter

We propose to revoke your status as an organization described in section 501(c)(3) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

What you need to do if you agree

If you agree with our proposal, please sign the enclosed Form 6018, *Consent to Proposed Action – Section 7428*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(3).

After we issue the final revocation letter, we'll announce that your organization is no longer eligible for contributions deductible under section 170 of the Code.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

Effect of revocation status

If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

What you need to do if you disagree with the proposed revocation

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You also

may file a protest with the IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter. The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

Contacting the Taxpayer Advocate Office is a taxpayer right

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

For additional information

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing
Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

| | | |
|------------------|-------------------------------------------------------|-------------------------|
| Form 886A | Department of the Treasury - Internal Revenue Service | Schedule No. or Exhibit |
| Name of Taxpayer | | Year/Period Ended |
| | | and |

Facts:

According to Form 1023, Application For Recognition of Exemption, the purpose or purposes for which this corporation was formed as set forth in the certificate of incorporation are as follows "to help promote public awareness of art and a variety of artistic expressive mediums; to enhance the public's appreciation of art; and to provide the public with a greater understanding of contemporary artistic trends and artistic mechanics".

During the course of the examination, it was determined that the organization used a related for-profit _____ to handle their day to day activities under a reciprocal services agreement. The agreement states in part "that _____ would collect ticket sales for all events and that _____ shall have full control over the selection, production and promotion of the events..."

_____ never stated in their Form 1023 application that they had an agreement with a related for-profit organization to conduct all of their activities. The organization has not shown that it is organized and operating for tax exempt purposes.

Law:

Section 501(c)(3) of the Internal Revenue Code exempts from federal income tax organizations organized and operated exclusively for charitable, educational, and other exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

Treasury Regulation 1.501(c)(3)-1(a)(1) provides that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Governments Position:

It is the government's position that the tax exempt status of _____ under Section 501(c)(3) of the Internal Revenue Code should be revoked for failure to operate for the purposes for which it was granted tax exempt status.

Conclusion

The tax exempt status of _____ under Section 501(c)(3) of the Internal Revenue Code should be revoked because the organization has not established that it is observing conditions required for the continuation of exempt status.

The proposed effective date of revocation is January 1, _____ the first day of the tax year under examination.